

Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 EUR-12 ISO-00 SSM-03 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01
SS-15 NSC-05 AGRE-00 /097 W
-----261533Z 052672 /47

R 261413Z JAN 77

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1008

INFO AMCONSUL ALEXANDRIA

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

DIA WASHDC

USCINCEUR VAHINGEN GE

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

USMISSION SINAI

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: REVISION OF DIRECT TAXES ON THE WAY

REF: 1975 CAIRO A-191 (NOTAL)

1. ONE SIGN OF FORWARD MOVEMENT OF GOE ON ECONOMIC REFORM
FRONT, NOTWITHSTANDING BUDGET AND SUBSIDY CUT SETBACK, IS
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APPARENT CULMINATION OF EFFORTS TO REVISE DIRECT TAX
STRUCTURE. CAIRO PRESS JANUARY 26 FRONTPAGES NEWS THAT
MINFIN HAMED HAS DRAFTED NEW BILL TO BE SUBMITTED TO
PEOPLES ASSEMBLY AT DIRECTION OF PRESIDENT. AIMS OF
REVISED LEGISLATION ARE SAID TO BE MORE EQUITABLE SHARING
OF TAX BILL BY RELIEVING LOWER INCOME GROUPS AND IN-
CREASING AMOUNTS DUE FROM THOSE MORE ABLE TO PAY, ADDING

REVENUE FROM INCOME NOT PREVIOUSLY TAXED, ENCOURAGING SAVINGS BY REDUCING TAXES ON INTEREST INCOME (SEPTTEL), AND IMPOSING HEAVIER PENALTIES FOR TAX EVASION.

2. MINFIN TAX OFFICIAL, ACCORDING PRESS, LAID OUT FOLLOWING PROVISIONS OF PROPOSED LAW: TAX EXEMPTION ON SALARIED ANNUAL INCOME IS RAISED TO RANGE OF LE 360 - LE 480, DEPENDING ON MARITAL AND FAMILY STATUS (CURRENT EXEMPTION IS FROM LE 240 - LE 360); GENERAL INCOME TAX EXEMPTION RAISED TO LE 1,200 PER YEAR (NOW LE 1,000) AND MAXIMUM TAX RATE ON ANNUAL INCOME OVER LE 10,000 SCALED DOWN TO 70 PERCENT (FROM 95 PERCENT); AND DAILY EARNINGS UP TO LE 1.50 EXEMPTED, BEYOND WHICH ONE PERCENT LEVIED UP TO LE 2 AND TWO PERCENT ON EXCESS. AMENDMENTS REPORTEDLY SUBJECT TO TAXATION INCOMES PREVIOUSLY EXEMPT, SUCH AS THOSE FROM AGRICULTURAL PROFITS, PRIVATE MOTOR VEHICLE SALES AND REAL ESTATE TRANSACTIONS. ADJUSTMENT ARE MADE IN SOCIAL INSURANCE PAYMENTS FOR THOSE, MAINLY PUBLIC SECTOR EMPLOYEES, UNDER SYSTEM. ADDED TAXES REPORTEDLY ALSO ARE BEING CONSIDERED SPECIFICALLY ON RENTAL INCOME, LAND HOLDINGS AND COMMISSION AND AGENT FEES.

3. COMMENT: REVISION OF DIRECT TAXATION STRUCTURE, IMPORTANT PARTS OF WHICH DATE BACK MANY YEARS (SEE REF), HAS BEEN UNDER CONSIDERATION SINCE 1974. RECENT UNPLEASANTNESS EVIDENTLY HAS GIVEN IMPETUS TO REFORM MEASURE AS MEANS FOR GOE TO DEMONSTRATE ITS CONCERNS FOR EQUITY IN TAX BURDEN ON POPULACE, ALTHOUGH REVISIONS LIKELY ALREADY WERE IN FINAL FORM AS PART OF IMF-AGREEMENT PACKAGE. ON BASIS LIMITED LIMITED OFFICIAL USE

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INFORMATION AVAILABLE, INCREASED EXEMPTIONS APPEAR DESIGNED TO AFFORD RELIEF TO INCOME GROUPS UP TO LOWER-MIDDLE CLASS (AVERAGE ANNUAL INCOME OF A SALARIED, NON-AGRICULTURAL WORKER IN EGYPT IS ABOUT LE 350). THIS PARTICULAR ASPECT OF GOE PROPOSAL PROBABLY WILL BE WELL RECEIVED, BUT REDUCTION OF MAXIMUM RATE ON GENERAL INCOME TAX - WHILE PROBABLY JUSTIFIABLE IN ECONOMIC TERMS -- MAY WELL GENERATE OPPOSITE REACTION ON PART OF SPOKESMEN FOR MASS OF WAGE EARNERS WHO NEVER EARN ANYTHING APPROACHING LEVELS OF INCOME AFFECTED.

EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX REFORMS
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO01487
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770028-0657
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770118/aaaaapdq.tel
Line Count: 108
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Litigation Codes:
Litigation History:
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Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Jan-2005 12:00:00 am
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
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Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: REVISION OF DIRECT TAXES ON THE WAY
TAGS: EFIN, EG
To: STATE
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